

Message Text

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42

ACTION H-03

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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USMISSION GENEVA

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E. O. 11652: N/ A

TAGS: OREP, EEC, EAGR (CODEL CANNON)

SUBJ: CODEL CANNON MEETING WITH EC COMMISSION-- AGRICULTURE

REF: EC BRUSSELS 2369

1. SUMMARY. SOAMES AND HIS COLLEAGUES REPORTED ON THE CAP SUPPORT PRICE DECISIONS JUST TAKEN IN LUXEMBOURG. THEY EMPHASIZED THAT THE INCREASE FOR GRAINS OF A MERE ONE PERCENT SHOULD BE WELCOME NEWS FOR THE US. WHILE RECALLING THE SERIOUS EUROPEAN POLITICAL AND SOCIAL DIFFICULTIES IN THE AGRICULTURAL SECTOR, THEY EMPHASIZED THAT (A) AGRICULTURE WILL BE INCLUDED IN THE MULTILATERAL TRADE NEGOTIATIONS AND (B) THE COMMISSION IS SOON TO BEGIN A REVIEW OF THE CAP TO EXAMINE IMPROVEMENTS BASED ON THE USE OF MEASURES OTHER THAN PRICE INCREASES TO

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ASSURE FARM INCOMES. THIS SHOULD ALSO BE WELCOME NEWS TO THE US THEY SAID. END SUMMARY.

2. EC COMMISSION DIRECTOR GENERAL RABOT SUMMARIZED THE LUXEMBOURG CAP PRICE SUPPORT DECISIONS AS REPORTED IN EC BRUSSELS 2370. HE STRESSED THAT, WITH THE EXCEPTION OF RYE, PRICES ON GRAINS ARE TO GO UP BY ONLY ONE PERCENT. SOAMES POINTED OUT THAT, GIVEN THE RATE OF INFLATION IN THE COMMUNITY, SUCH A PRICE RISE IS VERY SMALL INDEED. EVEN THE LARGER PRICE INCREASE FOR MILK IS CONSIDERABLY LESS THAN THE GENERAL INFLATION RATE (ABOUT 8-9 PERCENT).

3. SOAMES STRESSED THAT THE COMMISSION IS AWARE OF US CONCERNS ABOUT THE CAP BUT ASKED FOR US UNDERSTANDING OF EUROPEAN POLITICAL PROBLEMS IN THE AGRICULTURAL FIELD. HE AND RABOT POINTED OUT THAT THE CAP IS NOW TO BE EXAMINED WITH A VIEW TO IMPROVING ITS FUNCTION. THE EMPHASIS WILL BE ON ASSISTANCE MEASURES OTHER THAN PRICE INCREASES. THE COUNCIL RESOLUTION JUST TAKEN ON SUPPLEMENTARY INCOME PAYMENTS FOR FARMERS IN BACKWARD REGIONS OF THE COMMUNITY REPRESENTS A USEFUL PRECEDENT IN THIS CONNECTION. THE SAME IS TRUE FOR SPECIAL INCENTIVES TO ENCOURAGE FARMERS TO SWITCH FROM DAIRY TO LIVESTOCK PRODUCTION. SOAMES STRESSED THAT THE EUROPEANS THEMSELVES ARE CONCERNED ABOUT WINDFALL PROFITS THAT GO TO LARGE COMMUNITY FARMERS UNDER THE PRESENT SYSTEM WHEREAS THE SMALL FARMERS SIMPLY CANNOT KEEP UP WITH INFLATION.

4. SENATOR PEARSON STATED THAT THERE IS RECOGNITION IN THE US FOR THE COMMUNITY'S POLITICAL AND SOCIAL PROBLEMS IN AGRICULTURE. WE ARE NEVERTHELESS COMPELLED BY OUR OWN INTERESTS TO KEEP RAISING PROBLEMS WE HAVE ON SUCH ISSUES AS VARIABLE LEVIES, EXPORT SUBSIDIES, AND EC PREFERENTIAL AGREEMENTS.

5. COMMISSIONER DAHRENDORF SAID THAT THINGS HAVE BEGUN TO MOVE IN A FAVORABLE DIRECTION IN THE COMMUNITY. THE COMMISSION IS SERIOUS IN ITS DESIRE TO HAVE AGRICULTURE INCLUDED IN THE MULTILATERAL TRADE NEGOTIATIONS. THE COMMISSION REVIEW OF THE CAP THAT IS TO BEGIN SOON WILL FOCUS ON ALTERNATIVE MEASURES TO PRICE SUPPORTS. NEVERTHELESS, THE CAP REMAINS A BASIC ELEMENT IN THE COMMUNITY'S DEVELOPMENT. IT CANNOT BE SCRAPPED AND EXTERNAL PRESSURES COULD BOOMERANG IF THEY CREATE THE LIMITED OFFICIAL USE

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MISTAKEN IMPRESSION THAT THE US IS OUT TO KILL THE CAP.

6. AMBASSADOR GREENWALD SAID THAT WE WELCOME THE COMMUNITY'S REVIEW OF THE CAP AND THE EMPHASIS ON ALTERNATIVES TO PRICE SUPPORT MEASURES. WITH REGARD TO DAHRENDORF'S COMMENT, HE NOTED THAT POLITICAL PRESSURES EXIST ON BOTH SIDES. THE QUESTION THEREFORE IS NOT WHETHER EACH SIDE WILL GIVE VIEWS

ABOUT THE OTHERS' AGRICULTURAL POLICY BUT CONTEXT AND CONTENT OF SUCH VIEWS. THE US ACCEPTS THE NEED FOR A COMMON AGRICULTURAL POLICY FOR THE COMMUNITY. OUR PROBLEM IS WITH THE FORM OF THAT POLICY AND THE INSTRUMENTS USED.

7. SENATOR PEARSON REMINDED THE COMMISSIONERS THAT THE CONGRESS WILL BE CONSIDERING A NEW FARM BILL THIS YEAR. HE COULD NOT PREDICT THE OUTCOME BUT IT IS OBVIOUS HAT CHANGES ARE IN THE AIR. WE MAY MOVE MORE TOWARD A FREE MARKET ECONOMY IN AGRICULTURE. IN RESPONSE TO QUESTIONS BY SOAMES AND RABOT, SENATOR PEARSON SAID THAT HE WAS NOT CERTAIN WHETHER THE CURRENT WORLD SHORTAGE OF GRAINS IS A TEMPORARY PHENOMENON ONLY. BUT AT THE SAME TIME HE DOUBTED THAT IT WOULD BE REALISTIC TO BASE POLICIES ON THE ASSUMPTION OF LONG- TERM SOVIET DEMAND AT PRESENT LEVELS.
GREENWALD

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